

Kabul Plastics Factory Rehabilitation

Project Summary

Subsector	Manufacturing
Location	Kabul, Afghanistan
Project Cost	\$1.5 Million
Project Type	Factory Rehabilitation
Project Executing Firm/Agency	Kabul Plastics, privately owned
Funding Agency	Not Identified



Project Outline

Kabul Plastic's dormant factory is located in the Pulicharki Industrial Area of Kabul. Established in 1973, the company held the largest share of the local market for plastics and related products prior to the coup in 1979. Kabul Plastic was unable to meet local demand for plastic boots, for instance, even though it produced 18,000 pairs per day using six machines. The locally produced plastic boots were considered of superior quality to the boots imported from Pakistan.

At the time it was nationalized in 1979, the company was producing plastic bags and plastic rolls utilizing equipment supplied from Japan and Pakistan. Following the Russian occupation, the factory was returned to the Azizi family and the company was operated by the project promoter, Mohammed Hodayun Azizi, from 1982 to 1992 under extremely difficult circumstances. The civil war that commenced in 1992 closed all of the industries in Kabul. By 1996 large parts of the industrial areas had been destroyed or looted, but Kabul Plastic remained untouched.

Technical Description

The equipment in the factory is now largely obsolete by international standards, but it remains the best in Afghanistan, having been repaired in 1996. The industrial complex is comprised of six factory buildings and two warehouses of about 4,000 square meters on a 3-acre site. The equipment in the factory is capable of producing 400 tons per year of plastic bags and rolls, 1200 tons of plastic boots, 200 tons of plastic household utensils, and 300 tons of garden hoses (1/2" and 1" PVC), as well as blow and injection molding jerry cans and bottles. At its peak the company employed a total of 300 workers over three 8-hour shifts.

The company has three shareholders with 33 percent equity each (two silent shareholders reside in Canada). All business licenses have been renewed and Azizi has a title deed and a letter from government authorizing him to act on behalf of all shareholders.

Azizi is intent on restarting production in the factory initially utilizing the existing equipment (the technology for the kitchen utensils has remained unchanged). It is estimated that \$300,000 of working capital will be required to restart production and that \$20,000 will be needed for factory upgrades. Production will concentrate initially on the production of rubber boots. In the longer term upwards of \$1.0 million will be required to modernize the factory equipment. Azizi is seeking to identify an investor to assist with financing the foregoing start up plans.

Project Site

The factory complex is located on the outskirts of Kabul, Afghanistan.

Project Status/Timeline

Once investment sources have been identified, it is estimated that the upgrading and rehabilitation of the facility will take 6 months.

Equipment and Services

Kabul Plastics is primarily looking for a co-investor to provide approximately 50 percent of the funding.

The company is also looking at renewing its capital and machinery. Examples of machinery include:

- Self-contained hydraulic press
- Ton lab press
- Ton hand pump press
- Three roll calendar
- Silicone/rubber mill
- Hydraulic press
- Intensive mixer
- Stock cutters
- Laboratory equipment (silicone/rubber lab mills, hydraulic lab presses, etc.)

U.S. Competitiveness

Kabul Plastics is very interested in working with U.S. investors to restart and rehabilitate the factory operations. The U.S. is a leader in many types of rubber and plastics processing machinery. There is likely to be strong competition from other countries, but with an emphasis on quality at low costs, U.S. products will have a good chance in breaking through the Afghan market, especially if a U.S. investor participates in the project financing.

Project Financing

Approximately half of the \$1.0 million required for the rehabilitation of the factory will be provided by the present owners. The remainder will have to be provided by co-investors. Factory operations can be initiated with approximately \$300,000. Further equipment innovations can come at a later date.

Conclusion

This factory rehabilitation project has potential because the family that owns the facility already has extensive experience in the production of plastic boot as well as being the largest single manufacturer of related products before the outbreak of hostilities in the 1980s. Currently, the land is family owned, proper government permits have been obtained, and the factory is relatively undamaged with much of the equipment still in place.

Key Decision Makers

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